SWS:lmp 8/15/07 P0856 PATENT

Remarks

Claim Status:

Claims 30 and 36-41 are pending. Claims 31-35 are canceled without prejudice as being directed to non-elected claims. We reserve the right to file one or more continuing applications directed to the canceled subject matter and other subject matter.

New claims 40-41 are presented and are believed to be properly grouped with the elected

claims.

Election:

We elect the claims of Group I (i.e., claims 30 and 36-39) for prosecution with traverse. We respectfully submit that new claims 40-41 are properly grouped with the

elected claims.

We respectfully submit that a restriction requirement at this stage of prosecution

is improper, since the Applicant has already been forced to argue the patentability of the non-elected claims. See, e.g., our May 14, 2007 Amendment. The present restriction

requirement essentially disregards our prosecution up to this point, and is viewed by Applicant as a cost burden. Nevertheless, the non-elected claims have been canceled

herewith to avoid additional claims fees with adding new claims 40 and 41.

Conclusion:

We respectfully request an early notice of allowance. In the meantime, the

Examiner is invited to contact the undersigned with any questions.

Date: August 15, 2007

Customer No. 23735

Respectfully submitted,

DIGIMARC CORPORATION

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